MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

Municipal Financing Corporation of Saskatchewan

Letter of Transmittal

Regina, Saskatchewan
March 18, 1985

To His Honour,
The Honourable Fred W. Johnson,
Lieutenant-Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of the Municipal Financing Corporation of Saskatchewan for the year ending December 31, 1984, including the financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Municipal Financing Corporation Act.

I have the honour to be, Sir,

Your obedient servant,

Bob Andrew
Minister of Finance
and Minister Responsible,
Municipal Financing
Corporation of Saskatchewan.

Municipal Financing Corporation of Saskatchewan

DIRECTORS

Honourable R. L. Andrew

Honourable G. G. Currie

Honourable L. Domotor

Honourable T. Embury

Honourable P. Smith

OFFICERS

Mr. M. I. Meiklejohn
General Manager

Mr. W. D. Baldwin
Secretary

Municipal Financing Corporation of Saskatchewan

Annual Report 1984

The Municipal Financing Corporation of Saskatchewan was established to assist in making capital funds available for the financing of essential local improvements, school, hospital and other construction projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly or through the Department of Finance and uses the funds to purchase a portion of the authorized debentures sold each year by Saskatchewan local authorities.

During the year under review, the Corporation participated in the financing of 43 projects throughout Saskatchewan by purchasing $13.1 million of municipal debentures. At year end, the Corporation had outstanding commitments to purchase a further $1.385 million upon delivery of the debentures.

The Corporation recorded net earnings of $1.211 million for 1984. This represents a 10.5% increase over 1983 when the Corporation reported net earnings of $1.096 million.

The Corporation's debenture holdings now total almost $123 million.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through use of staff and facilities provided by the Crown Investments Corporation of Saskatchewan. The Corporation paid $21 thousand in 1984 for reimbursement of the costs of providing administrative services and for audit fees. The Directors do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in 1984. A table showing results of operations for the year under review, as compared to the previous year, is set out on page 4.

Municipal Financing Corporation of Saskatchewan

Comparative Table of Operations

For the Year Ended December 31

	1984	1983
	(thousands of dollars)	
Amount of debentures approved by the Corporation (net of subsequent reductions)	$ 12,779	$ 17,533
Prior year's purchase commitments carried forward	1,657	4,557
Total purchase commitments for the year	14,436	22,090
Purchases completed	(13,051)	(20,433)
Purchase commitments outstanding at the year end	$ 1,385	$ 1,657

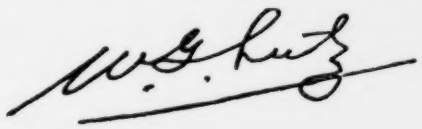
Municipal Financing Corporation of Saskatchewan

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Municipal Financing Corporation of Saskatchewan as at December 31, 1984 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
March 18, 1985.

Municipal Financing Corporation of Saskatchewan

Statement of Financial Position

As at December 31

ASSETS	1984	1983
	(thousands of dollars)	
Current:		
Interest receivable	$ 5,986	$ 6,030
Investments in municipal securities, at amortized cost (market value 1984 — $127,786; 1983 — $120,916)	122,717	114,738
	$ 128,703	$ 120,768
LIABILITIES AND PROVINCE'S EQUITY		
Liabilities:		
Current:		
Bank overdraft	$ 1,136	$ 380
Notes payable — Province of Saskatchewan	67,000	60,000
Accounts payable and accrued liabilities	482	514
Debentures payable within one year	2,000	1,000
	70,618	61,894
Long-term debentures payable (Note 3)	59,000	61,000
Province of Saskatchewan's Equity (Deficit)	(915)	(2,126)
	$ 128,703	$ 120,768

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Operations

For the Year Ended December 31

	1984	1983
	(thousands of dollars)	
Revenue		
Investment income	$ 15,428	$ 14,024
Expenses		
Interest (Note 5)	14,196	12,908
Administration	21	20
	14,217	12,928
Net income	$ 1,211	$ 1,096

Municipal Financing Corporation of Saskatchewan

Statement of Deficit

For the Year Ended December 31

	1984	1983
	(thousands of dollars)	
Deficit, beginning of year	$ (2,126)	$ (3,222)
Net income	1,211	1,096
Deficit, end of year	$ (915)	$ (2,126)

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Changes in Financial Position

For the Year Ended December 31

	1984	1983
	(thousands of dollars)	
Sources of Funds		
From operations:		
Net income	$ 1,211	$ 1,096
Items not affecting working capital		
Amortization of premiums and discounts on municipal securities (net)	1	1
	1,212	1,097
Proceeds from maturing municipal securities	5,075	5,036
	6,287	6,133
Uses of Funds		
Repayment and maturing of long-term debt	2,000	11,000
Purchase of municipal securities	13,055	20,476
	15,055	31,476
Decrease in working capital	8,768	25,343
Working capital deficiency, beginning of year	55,864	30,521
Working capital deficiency, end of year	$ 64,632	$ 55,864

(See accompanying notes)

Notes to Financial Statements

December 31, 1984

1. **Accounting Policies**

   The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following is considered to be significant:

   a) Investments in Municipal Securities

   The interest rate yield required by the corporation may, at times, vary from the coupon interest rate offered by the local governments. In these instances the corporation purchases the debentures at a premium or discount. A portion of the outstanding premiums and discounts is amortized each year on a straight-line basis against interest income. In this way effective income derived from each debenture is adjusted to equal the corporation's required yield for that debenture to its maturity. This policy is only effected where the premium or discount, at the time of purchase, exceeds $250.

2. **Status of Corporation**

   The Municipal Financing Corporation was established in 1969 pursuant to the provisions of The Municipal Financing Corporation Act.

3. **Long-Term Debentures Payable**

Series	Year of Repayment	Interest Rate	1984	1983
			(thousands of dollars)	
3	1984	9 7/8	$ —	$ 1,000
3	1985	9 7/8	1,000	1,000
7	1985	8 5/8	1,000	1,000
7	1986	8 5/8	1,000	1,000
4	1986	9 3/4	1,000	1,000
6	1987	9	1,000	1,000
11	1987	11 3/4	2,000	2,000
6	1988	9 1/8	1,000	1,000
11	1988	12	2,500	2,500
3	1989	9 7/8	1,000	1,000
4	1989	9 3/4	1,000	1,000
9	1989	11 3/4	2,000	2,000
11	1989	12	2,500	2,500
10	1989	15 7/8	2,000	2,000
9	1990	11 3/4	1,000	1,000
11	1990	12 3/4	4,000	4,000
6	1990	9 1/4	2,000	2,000
10	1990	15 7/8	2,000	2,000
5	1991	9 1/2	1,000	1,000
3	1991	9 7/8	1,000	1,000
10	1991	15 7/8	5,000	5,000
3	1992	9 7/8	1,000	1,000
7	1992	9 1/8	1,000	1,000
5	1992	9 1/2	1,000	1,000
10	1992	15 7/8	3,000	3,000
8	1993	9 5/8	1,000	1,000
4	1993	9 3/4	2,000	2,000
4	1994	9 3/4	1,000	1,000
7	1994	9 1/4	1,000	1,000
8	1994	9 5/8	1,000	1,000
5	1994	9 5/8	1,000	1,000
7	1995	9 1/4	1,000	1,000

3. Long-Term Debentures Payable — *(Continued)*

Series	Year of Repayment	Interest Rate	1984	1983
			(thousands of dollars)	
6	1995	9 1/2	$ 1,000	$1,000
8	1995	9 5/8	1,000	1,000
8	1996	9 5/8	1,000	1,000
5	1996	9 3/4	1,000	1,000
8	1997	9 5/8	1,000	1,000
5	1997	9 3/4	1,000	1,000
11	1997	12 3/4	1,500	1,500
9	1999	12	1,000	1,000
9	2000	12	1,000	1,000
11	2002	12 7/8	2,500	2,500
			61,000	62,000
Repayment required within one year			2,000	1,000
Net long-term debentures payable			$59,000	$61,000

Principal payments due on long-term debt for the next five years are as follows:

1985	$2,000
1986	2,000
1987	3,000
1988	3,500
1989	8,500

4. Commitments

Prior to December 31, 1984 the Board of Directors had approved the purchase of debentures from certain local governments of which $1.385 million were not purchased before the year-end.

5. Interest Expense

	1984	1983
	(thousands of dollars)	
Interest on long-term debt	$ 7,135	$ 8,892
Interest on current debt	7,061	4,016
	$14,196	$12,908

6. Subsequent Event

Subsequent to the year end the corporation obtained $20,000,000 U.S. in additional long-term financing which matures in 1992. This debt is fully hedged. Total proceeds received in Canadian funds were approximately $26,000,000 which was used to repay a portion of the short-term notes payable.

7. Related Party Transactions

   Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

   Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

   Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

8. Comparative Figures

   Certain of the prior year's balances have been reclassified to conform to the current year's presentation.